

July 14, 2016

Mr. Chairman and members of the committee:

Years ago, I spent countless hours and days operating a John Deere 5020 on our small grains farm in north central Montana. It was a great tractor. My dad was a stickler for state-of-the-art service, care, and maintenance of every machine we had, enabling us to keep that tractor in service well beyond its expected lifetime. But it was a machine. Eventually the stresses of dust, temperature and motion began to take a toll on that machine. Powerful technological changes were already changing the face of the agricultural industry, making newer tractors more competitive and efficient. I loved that tractor, but its useful life for our farm operation finally ran its course.

I offer this story as introduction to what I am about to tell you next. While it is unusual for a politician to ever admit a mistake, upon reflection, I am compelled to do so now. As chairman of the Montana PSC, I encouraged NorthWestern Energy to bring a proposal to move their ownership interest in Colstrip Unit 4 back into their utility rate-base under the terms of HB 25 from 2007. They did so, and I voted with the majority of the Commission to approve the essential acquisition of this generating asset into their fleet.

During the hearings on this proposal, NWE made a compelling case that, like the advantages of home ownership over renting, the long-term prospects for this asset in their rate-base would be a source of long-term, low cost electricity for their Montana customers. As I recall company testimony, they claimed that Colstrip 4 had been maintained so well, and upgraded from time to time, that it was virtually like new, maybe even better. Kind of like a well-tended home with new paint, carpets, and appliances, Colstrip 4 appeared to be a great deal.

My mistake, our mistake was that Colstrip 4 was not like a durable real estate asset such as a home. It was and is a machine, just like my old John Deere 5020. Soon after the PSC approved the proposal from NWE, the stresses of dust, temperature, and motion began to manifest themselves. Operating components of the plant began to fail. The most significant was the failure of the turbine, necessitating its replacement, and keeping Colstrip 4 off-line, and not generating electricity, for an extended period of time. I am certain that the operators of this plant had maintained and serviced the unit as well and carefully as NWE testified. Even so, it still proved to be an old, used machine.

I hope we learn a lesson from our experience with Colstrip 4. Our policy makers, the Governor, the Legislature, the PSC, must obligate neither Montana taxpayers, nor utility customers, to the purchase or acquisition of two old machines, Colstrip Units 1 and 2, even older than Colstrip 4. Remember, those machines are the same vintage as my old John Deere 5020. They are clearly

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Exhibit 4

near the end of their useful life. I can find no compelling business case for NWE customers to finance a company acquisition of these units, and certainly no business case for Montana's taxpayers to be burdened with subsidizing these plants.

Sincerely,

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